

Message Text

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PAGE 01 TEL AV 05627 011022Z
ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 EB-08 TRSE-00 STR-04 OMB-01 CEA-01
/076 W

-----027811 011212Z /44

R 010732Z AUG 77
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 7498

LIMITED OFFICIAL USE TEL AVIV 5627

E.O. 11652: N/A
TAGS: EGEN, EFIN, IS
SUBJECT: VIEWS OF BANK OF ISRAEL GOVERNOR GAFNI ON GOI ECONOMIC
POLICY

1. DURING DISCUSSION WITH ECON COUNSELOR ON JULY 29, ARNON
GAFNI, GOVERNOR OF THE BANK OF ISRAEL, OUTLINED HIS VIEWS
ON PROBLEMS AND PROSPECTS OF ISRAELI ECONOMY 1977-79. GAFNI
BEGAN ANALYSIS BY ATTRIBUTING DEFEAT OF ALIGNMENT IN LAST
ELECTION OF PUBLIC REACTION TO HIGH LEVELS OF INFLATION.
HE SAID LIKUD HAS FOLLOWING GOALS BETWEEN NOW AND END OF
1979:

-- REDUCE INFLATION PERCENTAGE FROM HIGH 30'S IN 1976 TO
20'S IN 1977 AND TO TEENS IN 1978-79.

-- REDUCE BALANCE OF PAYMENTS DEFICIT BY 200-300 MILLION
PER M/YEAR OVER THIS PERIOD.

-- ACHIEVE REAL GNP GROWTH OF APPROXIMATELY 3 PER CENT
IN 1977, 4-5 PER CENT IN 1978 AND 1979.

2. GOI ACCEPTS FACT THAT MAIN ENGINE OF INFLATION HERE
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IS HUGE GOVERNMENT DEFICIT. WITH MONTHLY DEFICIT
RUNNING AT RECENT HIGH LEVELS, CRDUE MONETARY TOOLS
AVAILABLE TO BANK OF ISRAEL ARE NOT EFFECTIVE. GAFNI
BELIEVES THAT MOST BUDGET CUTS MUST BE IN SOCIAL SERVICES
AND TRANSFER PAYMENTS. BY HOLDING BACK ON NOMINAL BUD-
GET INCREASES IN THESE AREAS, GOI CAN REDUCE REAL EX-
PENDITURES. PRESENT MOOD OF ISRAEL IS SUCH, HE THINKS,

THAT THIS IS POLITICALLY POSSIBLE.
LEWIS

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANKS, DIPLOMATIC DISCUSSIONS, ECONOMIC TRENDS, ECONOMIC ESTIMATES
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Original Previous Classification: n/a
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